[Sri A. J. John]

Centre. The computation of the net revenue gap payable annually to this State under the agreement of federal financial integration has been completed and is now awaiting the approval of the Government of India. As a result, the State is expected to receive a sum of Rs. 307·57 lakhs for each of the first 3 years 1950—53, Rs. 282·24 lakhs for each of the next two years and thereafter amounts tapering down to Rs. 227·80 lakhs by the end of 1959—60. Details of the apportionment of the liabilities and assets between this Government and the Government of India and the sharing between them of the specific productive capital assets with the specific debts attached to them have also been worked out and are being finalised, It is expected that this question will be finally settled before the beginning of the next financial year. By this arrangement, the Government of India will take over the debt of Rs. 144·40 lakhs attached to the Quilon-Shencottah Railway, and of Rs. 70 lakhs raised by the Cochin Government for the Shoranur-Cochin Railway. Of the remaining public debt, they will take over the responsibility for liquidating about Rs. 60·00 to Rs. 62·00 lakhs. In the result, the State will pass on to the Centre with effect from the 1st April 1950 the responsibility for liquidating a total public debt of about Rs. 274 lakhs. Apart from these adjustments which are the direct result of fedral financial integration, the Government of India have also sanctioned substantial grants for "Grow More Food Schemes" and loans for financing Hydro-Electric and other schemes.

'Agency' Departments

5. For administrative reasons, the State has been managing some of the federal services on an agency basis even after financial integration. It is now proposed that the agency arrangement in respect of the Anchal Department should be terminated at the end of this financial year and that the Centre should take over the administration directly under its control, The consequential arrangement regarding Anchal Savings Bank is still under negotiation. This change, we are assured, will not involve any curtailment of the extensive rural service now offered by the Anchal Department. At the same time it is expected that the employees of the Anchal Department will derive the advantages of the higher scales of pay and better conditions of service enjoyed by the employees of the Post and Telegraph Department.

Food Subsidy

6. The question of the price of food grains and the burden of subsidising their sales on the finances of the State, is causing the Government considerable anxiety. From the 1st October 1948 to the 31st March 1950 the Government of India were meeting 50 per cent of the loss incurred by this Government on the subsidised sale of imported rice. Before the scheme of food subsidy by the Centre was extended to the State, the issue price of rice from Government Depots was about Rs. 21 per maund. In October 1948 the issue price of rice was reduced to Rs. 19 per maund and from 20th November 1949 it was still further reduced to Rs. 16—15—3 per maund, (*i.e.*, to say Rs. 17—12—0 per maund to the consumer) on the assurance of enhanced subsidy by the Centre at the rate of 75 per cent of the loss, as a result of federal financial integration, with effect from 1st April 1950. The Government of India have now decided to revise the scheme of food subsidy and to limit their commitments to subsidising the sale of food grains in a few selected urban and industrial centres in each State. If this scheme is strictly applied, we would not be eligible for any subsidy because there are no urban or industrial centres of the type selected in this State. However, recognising our peculiar position as a heavily deficit State in foodgrains, the Government of India have offered us a lump sum grant of Rs. 1·5 crores in 1951. This offer, if accepted would throw on

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our finances a burden which it is not capable of bearing. Our total loss in 1951 from the sale of imported rice, at the current price, will be about Rs. 5 crores. Deducting the lump sum grant of Rs. 1·5 crores offered by the Government of India, our share of this loss would be Rs. 3·5 crores, as against Rs. 1.25 crores under the existing scheme of food subsidy. This means that the State will have to bear an additional loss of about Rs. 2·25 crores. The Government of India have suggested that thiss loss could be made good by increasing the issue price of rice to the consumer from the present rate of Rs. 17—12—0 per maund to Rs. 20 per maund. But it may not be expedient to increase the price to any appreciable extent. We have, therefore, apprised the Government of India of our very difficult position and have made strong representations for the continuance of the system of food subsidy by the Centre at the rate of 75 per cent of our loss. It was represented that though small in extent, this State was earning about Rs. 30 to 40 crores worth of dollar and sterling annually by the export of valuable commercial crops like tea, pepper, cardamom, cashew, and products like coir and coir mattings, and minerals. The foreign exchange earned by the State is more than twice the amount required for the payment of all its needs of imported foodgrains. It was also pointed out that the Government of India were getting a large amount of revenue by taxing the export of commodities in which we have a virtual monopoly and that from the export duty on pepper alone they have realised Rs. 2·5 crores this year. As a result of the increase in the expert duty on pepper they may get about Rs. 4 crores next year. We feel that the Government of India are convinced that our case deserves special consideration and that they will grant us a much larger subsidy. The budget for the ensuing year is therefore, prepared making provision only for our normal share of one-fourth of the loss on the subsidised sale of foodgrains.

Elections

7. One other matter I would like to mention is the holding of the General Election under the new Constitution. It is proposed to conduct the election in November-December 1951. So far as this State is concerned, proposals for delimitation of constituencies are now under examination by the Election Commissioner of India and the decision of the President regarding the delimitation is expected shortly. Preliminary electoral rolls for the State have already been published as originally scheduled and the claims and objections are being scrutinised by the Revising Authorities. It will be possible to publish the final electoral rolls in April or May, as soon as the proposals for delimitation are finalised. Other arrangements for conducting the election are making satisfactory progress. The Government of India have agreed to bear 50 per cent of the extra expenditure, estimated at Rs. 9 lakhs, incurred by the State in connection with the preparation and printing of the electoral rolls and for the conduct of the General Election.

With these introductory remarks I shall now address myself to the final accounts of 1125 (7½ months), then deal with the Revised Estimate for 1950—51 and finally place before you the Budget Estimate for 1951—52.

Actuals for 1949—50 (7½ months)

8. In the revised estimate for 1949—50, we anticipated a revenue receipt of Rs. 891·43 lakhs and an expenditure of Rs. 925·64 lakhs, resulting in a deficit of Rs. 34·21 lakhs. But as the financial year was of 7½ months' duration only, it was not possible to implement fully the expenditure programme according to plan. This was also partly due to the various transitional changes in the working of the departments on account of the integration of Travancore and Cochin. The expenditure was in consequence limited to Rs. 799·48 lakhs. At the same time, the intensive drive for the collection of revenue yielded satisfactory results. The total revenue

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